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Report of the Secretary-General pursuant to paragraph 5 of resolution 1302 (2000)

I. Introduction

1. The present report is submitted pursuant to paragraph 5 of Security Council resolution 1302 (2000). It provides information on the distribution of humanitarian supplies throughout Iraq, including the implementation of the United Nations Inter-Agency Humanitarian Programme in the three governorates of Dahuk, Erbil and Sulaymaniyah. It also describes developments in the implementation of the programme since the period covered by my last report submitted to the Council on 8 September 2000 (S/2000/857). Unless stated otherwise, the cut-off date for data contained in the present report is 31 October 2000.

2. In several of my recent reports to the Council, I have highlighted the vast growth in the scale and complexity of the humanitarian programme as a result of the significant increase from $1.32 billion in the funding level made available to the programme during each of the first three phases to $5.44 billion during phase VII after deductions pursuant to paragraph 8 of Security Council resolution 986 (1995) and pursuant to the relevant Council resolutions, coupled with the increase in oil prices during the last two phases. The funding level for the present phase VIII of the programme, ending on 5 December 2000, is estimated to be $6.9 billion. The increased level of funding has made it possible for the programme, as required, to focus, in addition to immediate relief assistance (food and medicines), on the rehabilitation of infrastructure, with direct impact on all aspects of the humanitarian situation in Iraq. For example, in phase I, although the programme included eight sectors, the vast majority of financial resources were allocated to the food and health sectors. With the continued expansion of revenue available to the programme, much greater emphasis is now being placed, in addition to food and medicines, on infrastructure-related requirements. With the decision taken in June 2000 to include housing as a new sector in the distribution plan, the programme now covers 10 sectors.

3. Four years into the implementation of the programme, the vast majority of the Iraqi people still faces a situation of decreasing income, thereby intensifying the dependency of the poorer strata on the commodities and services provided through the programme. Social impact is difficult to quantify, but such patterns as pauperization and growing food insecurity have appeared. The present state of affairs is harming particularly the most vulnerable segments of the Iraqi population and has weakened the middle class, which used to be the backbone of Iraqi society. The gap between those who have managed to maintain their living standards and the majority of the population who struggle to maintain themselves at or above subsistence level has also widened. Vast numbers of highly trained professionals have emigrated due to the deterioration in their living standards as well as isolation from developments in their respective fields, such as science and medicine.

4. While the programme has undoubtedly contributed to a considerable extent to improving the immediate humanitarian situation in Iraq, disparities within the country are evident among and within the three northern governorates of Dahuk, Erbil and Sulaymaniyah, on the one hand, and between Baghdad and the rest of the country on the other, in terms of the availability of services and rehabilitation of infrastructure. In the three northern governorates, internally displaced persons represent about 23 per cent

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of the total population and are not integrated within society. The programme in the north has been proactively increasing its assistance to meeting the needs of the growing numbers of the internally displaced persons who have been displaced by the conflict among various factions in the north, as well as those coming from Ta'min and other governorates of the centre and south.

5. Given its intrinsic temporary and short-term nature, the programme faces difficulties in addressing the social and economic deterioration in Iraq. This is further compounded by the fact that the humanitarian programme was never intended to meet all the humanitarian needs of the Iraqi population or to be a substitute for normal economic activity. Also, the programme is not geared to address the longer-term deterioration of living standards or to remedy declining educational and health standards and infrastructure.

II. Revenue generation

A. Oil production and sale of petroleum and petroleum products

6. Since the beginning of phase VIII on 9 June 2000, the oil overseers and the Security Council Committee established by resolution 661 (1990) have reviewed and approved a total of 143 contracts (including 29 contracts from phase VII extended into phase VIII) involving purchasers from the following 34 countries (figures in parentheses indicate number of contracts for that country): Algeria (1); Belarus (2); Belgium (1); Brazil (1); China (9); Cyprus (1); Greece (2); France (8); India (2); Indonesia (4); Italy (7); Kenya (1); Liechtenstein (1); Malaysia (5); Morocco (2); Netherlands (1); Nigeria (2); Oman (1); Pakistan (1); Panama (1); Romania (1); Russian Federation (30); Singapore (1); South Africa (1); Spain (4); Switzerland (17); Thailand (3); Tunisia (3); Turkey (9); Ukraine (1; contract was approved and then cancelled); United Arab Emirates (5); United Kingdom of Great Britain and Northern Ireland (7); United States of America (2); Venezuela (1); Viet Nam (3) and Yemen (2).

7. The total quantity of oil approved for export under those contracts corresponds to approximately 432.6 million barrels for 180 days, with an estimated revenue of about $10.3 billion (including pipeline fees if all contracts are executed, at current prices). The contracted volume is the highest since the beginning of the implementation of the programme in December 1996.

8. As at 31 October 2000, the export of petroleum from Iraq under the current phase has proceeded smoothly, with excellent cooperation among all parties concerned; 249 loadings, totalling 307.0 million barrels with an estimated value of $7,842 million, have been completed.

9. The trading environment in the European oil market from June 2000 onwards was characterized by substantial price volatility. In order to remain competitive against competing crudes in such a market, the Iraqi State Marketing Organization for Oil (SOMO) had to adjust as a temporary measure the official selling price for crude oil destined for Europe on a more frequent basis (every 10 to 15 days). This approach was considered reasonable by the oil overseers and approved by the Security Council Committee.

10. The overseers have continued to advise and assist the Security Council Committee on pricing mechanisms, contract approval and modifications, and other pertinent questions related to exports and monitoring, under Council resolutions 986 (1995) and all subsequent relevant resolutions. The overseers and independent oil inspection agents (Saybolt) have worked closely to ensure the monitoring of the relevant oil installations as well as liftings.

11. Pursuant to paragraph 7 of resolution 1302 (2000), I appointed two additional overseers to approve petroleum and petroleum product export contracts (see S/2000/790). The total number of oil overseers within the Office of the Iraq Programme is now three.

12. In a letter dated 4 October 2000 from the Executive Director of SOMO addressed to the Chairman of the Security Council Committee, Iraq indicated its intention to price Iraqi crude oil in euros as of November 2000. This was followed up by a letter dated 10 October 2000 from the oil overseers addressed to the Chairman of the Committee. As indicated in paragraphs 25 and 26 below, the issue was discussed by the Committee and as of 7 November 2000, all Iraqi crude oil sales have been made in euros instead of United States dollars. Accordingly, a separate euro sub-account under the United Nations Iraq account has been established to receive the proceeds from the sale of oil. The standard letter of credit format for oil letters

of credit was amended to permit payment for oil in euros.

Oil exports from Iraq

13. The modus operandi for the inspection of oil exports originating from Iraq has remained unchanged. During the current phase, 14 independent inspection agents from Saybolt were on site, based in Mina al-Bakr and Zakho in Iraq and Ceyhan in Turkey.

Mina al-Bakr

14. Crude oil loadings have continued from the Mina al-Bakr oil platform, monitored by Saybolt. A total net volume of 185,055,977 barrels have been loaded, as ascertained by reference to the vessels' calibration charts, an average of 1,285,111 barrels per day.

15. No improvements have been noted either in the general working and safety conditions on the platform or in the transportation arrangements to and from shore. The two lifeboats delivered under the programme remain stored on platform "B" as the davits required for launching, although now in Iraq, have yet to be delivered to Mina al-Bakr. There has been little, if any, improvement in the living conditions on Mina al-Bakr, an account of which was provided in previous reports (see S/1999/1162, S/2000/520 and S/2000/857).

MS-1 metering station at Zahko

16. During the period under review, the transfer of crude oil from Iraq via the Iraq-Turkey pipeline to the Botas Terminal in Ceyhan, Turkey, has continued. The volume of crude oil monitored by Saybolt through the metering banks at the MS-1 metering station at Zahko was 120,537,358 barrels.

Botas terminal at Ceyhan, Turkey

17. During the period under review, the receipt of crude oil from Iraq via the Iraq-Turkey pipeline at the Botas terminal has continued under the supervision of the Saybolt team. The volume of crude oil monitored by Saybolt into the receiving storage tanks at the Botas terminal, as ascertained by reference to storage tank calibration charts, was 121,213,534 barrels, an average of 841,760 barrels per day. The total net volume of crude oil loaded at Botas terminal was 120,569,240 barrels, as ascertained by reference to the vessels' calibration charts, an average of 837,286 barrels per day.

Total crude oil exports

18. The total net volume of crude oil exported from Mina al-Bakr and Ceyhan during the period, as monitored by Saybolt, was 305,625,217 barrels or an average of 2,122,397 barrels per day. Of the total volume exported, 39.45 per cent of the volume was via Ceyhan and 60.55 per cent via Mina al-Bakr.

B. United Nations accounts pertaining to the Iraq programme

19. The United Nations accounts pertaining to the Iraq programme are divided into seven separate funds pursuant to paragraphs 8 (a) to (g) of Security Council resolution 986 (1995). As at 31 October 2000, $6,119.4 million had been deposited into the account for phase VIII, as authorized under Council resolutions 1284 (1999) and 1302 (2000), bringing the total oil sales since the inception of the programme to $35,157.00 million. The allocation of total oil revenue among the various funds and corresponding expenditures, as at 31 October 2000, are reported in annex I; the number and value of the letters of credit pertaining to oil proceeds and humanitarian supplies are reported in annex II.

20. Pursuant to paragraph 14 of resolution 1302 (2000), the Security Council Committee was provided with recommendations for the utilization of excess funds drawn from the account created by paragraph 8 (d) of Council resolution 986 (1995), in particular for the purposes set out in paragraphs 8 (a) and 8 (b) of that resolution. Through his letter dated 28 July 2000, the Under-Secretary-General for Management informed the Committee that an excess of $52 million was available for decision by the Committee or the Security Council as to their possible use and allocation. One option identified for consideration by the Committee was the proportional division of the $52 million among the accounts established by paragraphs 8 (a) and 8 (b) of Council resolution 986 (1995). It was also noted that any unencumbered funds after closure of subsequent periods would be reported to the Committee and be available for redistribution. The Committee has yet to take a decision on the utilization of these funds.

21. The allocation of oil revenues over the various sub-accounts is currently guided by applying percentages to the proceeds of the sale of oil as set out in paragraph 34 of my report to the Security Council dated 25 November 1996 (S/1996/978) and in the relevant resolutions governing the implementation of the programme. A change in any of these percentages would automatically affect the distribution of oil proceeds to all other accounts.

22. Pursuant to paragraph 8 (g) of resolution 986 (1995), the Security Council decided to make available up to $10 million every 90 days from the funds deposited in the escrow account for the payments envisaged in paragraph 6 of resolution 778 (1992) (RWA account). The implementation of this paragraph was suspended for an initial period of six months pursuant to paragraph 20 of Council resolution 1284 (1999), and for a further 180 days pursuant to paragraph 10 of Council resolution 1302 (2000). The funds that became available as a result have been allocated by the Secretariat for the purposes set out in paragraph 8 (a) of Council resolution 986 (1995), as indicated in my report to the Council dated 8 September 2000 (S/2000/857). In paragraph 10 of resolution 1302 (2000), the Council also stipulated that this suspension should not be subject to further renewal.

23. The over-concentration of funds with one bank was first brought to the attention of the Security Council in June 1997 by the Under-Secretary–General for Management. Following extensive consultations among the concerned parties, the Security Council Committee was briefed by the United Nations Treasurer on this issue on 26 January 2000. Subsequent to consultations with the Government of Iraq, the Secretariat proceeded to negotiate with a group of banks with the aim of diversifying the funds in the United Nations Iraq accounts. The Secretariat has already executed agreements with some banks.

24. In spite of these developments in the area of investment diversification, the risk of depending on a single bank for the issuance of humanitarian letters of credit and for the confirmation of oil letters of credit remains an operational vulnerability, as noted in previous reports.

25. In a letter dated 4 October 2000, the Permanent Representative of Iraq to the United Nations transmitted a letter addressed to the Secretary-General, dated 3 October 2000, from the Minister for Foreign Affairs of the Republic of Iraq, requesting that an account denominated in euros be opened with BNP-Paribas in order to receive funds in euros accrued from the sale of petroleum and petroleum products under the programme. The issue was brought to the attention of the Security Council Committee and it was discussed in connection with the letter from the Executive Director of SOMO to the Chairman of the Committee indicating Iraq's intention to price its crude oil in euros.

26. At the request of the Committee, the United Nations prepared a report on the possible implications of receiving funds derived in the sale of oil in euros and the establishment of an account in that currency. Following a series of consultations, on 31 October 2000 the Secretariat was informed by the Committee that it was authorized to open a United Nations account denominated in euros. In so doing, the Committee also requested an in-depth report within a period of three months indicating the possible costs and benefits for the programme and other financial and administrative implications of the payment of Iraqi oil in euros. Accordingly, the United Nations Iraq account euro sub-account was established on 1 November 2000, and the standard letter of credit format for oil letters of credit was amended to permit payment for oil in euros.

III. Processing and approval of applications

27. The Office of the Iraq Programme has taken all necessary steps to implement expeditiously the relevant recommendations and directives contained in my last two reports (see S/2000/520 and S/2000/857) as well as the relevant provisions of Security Council resolution 1302 (2000) despite the exponential increase in the total number of applications received.

Processing of applications received under the ESB (53 per cent) account

28. Since the start of the implementation of the programme in December 1996, the Office of the Iraq Programme has received, as at 31 October 2000, a total of 12,652 applications, with a value of $19.72 billion, under the ESB (53 per cent) account. Of that total, 9,866 applications, with a value of $16.22 billion, have been approved by the Security Council Committee or, pursuant to paragraph 17 of Council resolution

1284 (1999), notified by the Secretariat. In addition, 1,293 applications, with a total value of $2.31 billion, were on hold. Furthermore, a total of 316 applications, valued at $859 million — which are incomplete or non-compliant with either the approved distribution plans or the procedures of the Committee — were awaiting processing by the Secretariat, pending submission of the required information, corrections or amendments, mainly by the suppliers and, frequently, by the Government of Iraq. A further 124 applications, which had been received during October 2000 and totalled $200 million, were under active processing.

29. Supplies with a total value of $8.834 billion have been delivered in complete or partial shipments to Iraq. Additional quantities of supplies, covered under approved applications, with an estimated value of $7.386 billion, are in the production and delivery pipeline.

30. I should like to express my serious concern over the very slow rate of submission of applications for phase VIII for the majority of sectors. While the Government of Iraq may have concluded additional contracts, only 597 applications, valued at $2 billion and comprising only 28.14 per cent of the phase VIII distribution plan budget, had been received by the Office of the Iraq Programme one month before the end of the current 180-day period. Further to paragraph 7 of my report (S/2000/857), the Executive Director of the Iraq Programme has repeatedly drawn the attention of the Government of Iraq to the generally very slow pace of submissions, and has reiterated his earlier appeals that the Government of Iraq expedite contracting so that applications can be submitted as early in each phase as possible. Although it is recognized that the submission of applications to the Secretariat is made by the suppliers through their respective permanent or observer missions, it is recommended that the Government of Iraq insist that its suppliers submit applications most expeditiously.

31. I am pleased to note that the Security Council Committee has approved a number of proposals submitted by the Executive Director of the Iraq Programme, which would accelerate processing and approval of applications for contracts.

ESC (13 per cent) account

32. The United Nations agencies and programmes involved in the implementation of the humanitarian programme in the three northern governorates of Dahuk, Erbil and Sulaymaniyah have submitted a total of 3,147 applications under the ESC (13 per cent) account, of which 2,962 applications, with a total value of $905 million — excluding food and medicine procured by the Government of Iraq under bulk purchase arrangements — have been approved by the Security Council Committee or notified by the Secretariat pursuant to paragraph 17 of Council resolution 1284 (1999). Seven applications, with a total value of $540,000, have been placed on hold; 47 applications, with a total value of $25.6 million, are currently under processing or awaiting further specifications to be evaluated. The further streamlining of the Office of the Iraq Programme's procedures has consolidated all aspects of processing agency applications in the Contracts Processing Section of the Office of the Iraq Programme. I am pleased to note that the United Nations agencies and programmes met the requirement to attach their related contractual documents to their applications to the Committee, pursuant to paragraph 25 of Council resolution 1284 (1999).

Oil spare parts and equipment

33. A total of $2.4 billion has been authorized by the Security Council for the procurement of oil spare parts and equipment under phases IV to VIII. The Office of the Iraq Programme has received a total of 3,116 applications, valued at $1.804 billion, of which 2,266 applications, valued at $1.214 billion, have been approved, including 66 applications, valued at $51.96 million, which were approved by the group of oil experts in the Office of the Iraq Programme pursuant to paragraph 18 of Council resolution 1284 (1999). A total of 549 applications, valued at $290 million, have been placed on hold, while 118 incomplete or non-compliant applications, valued at $224 million, remain idle pending further action, mostly by the suppliers. Another 30 applications, valued at $11.9 million, are currently under active processing.

34. I note with concern that the project-based list of phase VIII oil spare parts and equipment, submitted to the Security Council Committee by the Office of the Iraq Programme on 8 August 2000 pursuant to paragraph 18 of Security Council resolution

1284 (1999), has remained on hold in the Security Council Committee despite repeated reminders by the Executive Director of the Iraq Programme. It is also regrettable that, as at one month before the end of the current 180-day period, the Office of the Iraq Programme has received only one application for oil spare parts and equipment, valued at $12.73 million, representing only 2.1 per cent of the $600 million allocated to this sector.

35. The rate of arrival of oil spare parts and equipment approved under earlier phases has continued to increase, with a total of 938 complete and partial contracts, valued at $430.9 million, having arrived, and supplies valued at about $775 million still in the production and delivery pipeline.

Incomplete and/or non-compliant applications received under the ESB (53 per cent) account

36. In my letter dated 3 October 2000 addressed to the President of the Security Council, I expressed my very serious concern regarding, inter alia, the large volume of incomplete or non-compliant applications received by the Office of the Iraq Programme, which could not be processed pending the receipt of information required either from the suppliers and/or the Government of Iraq (see S/2000/950). While some missions have responded quickly, I very much regret that the rate of such responses has been generally very slow, despite reminder letters from the Executive Director of the Iraq Programme, addressed separately to the 38 applicant missions concerned, and to the Permanent Representative of Iraq to the United Nations.

37. In this connection, I should like to welcome the approval by the Committee, on 20 October 2000, of the proposal submitted by the Executive Director, whereby the Secretariat is authorized to make corrections in those applications that contain obvious technical errors, such as incorrect sector item codes, or the omission of information, otherwise available in the contracts attached to the relevant applications. All applicant missions have been informed separately of the newly approved procedure, which has already served to reduce the number of applications that cannot be processed by approximately 20 per cent.

Applications placed on hold

38. Further to my letter dated 3 October 2000 addressed to the President of the Security Council (S/2000/950), I should like to reiterate my continuing concern about the unacceptably high level of the applications placed on hold.

39. The Office of the Iraq Programme continues to provide the Security Council Committee with regular comprehensive and analytical data regarding applications placed on hold, trends in the imposition of holds, programme-related reasons for the release of holds and the interrelationship of supplies required for given projects and activities. I am pleased to note that the vigorous efforts made by the Office of the Iraq Programme since April 2000, which involved all applicant missions concerned, the Government of Iraq and the Security Council Committee, yielded positive results in reducing the holds by approximately $600 million during a three-month period. I should also like to note the cooperation of all concerned, particularly the Committee, which agreed to convene separate technical meetings, as requested by the Executive Director of the Iraq Programme, in order to review the holds on applications in each sector. Unfortunately, however, despite an all-out effort made, the volume of holds rose drastically from less than $1.4 billion in mid-August 2000, to $2.31 billion as at 31 October 2000, representing 10.8 per cent and 14.6 per cent, respectively, of the value of all applications circulated to the Committee.

40. In a letter dated 27 September 2000 addressed to the Chairman of the Security Council Committee, the Executive Director of the Iraq Programme underlined the need for launching yet another campaign in order to contain and reverse the increase in the number of applications placed on hold. In order to assist suppliers in providing the information requested by the holding missions, the Office of the Iraq Programme prepared a list of items usually requiring detailed specifications, as well as examples of the information to be provided. These documents were distributed to all the applicant missions, the relevant ministries of the Government of Iraq and the United Nations agencies and programmes concerned, and were also posted on the Office of the Iraq Programme's web site. However, I must note that in many cases in which the requested clarifications and/or information appeared to have been provided, the applications concerned remained on hold, without any indication of the reasons provided for the continuation

of the holds concerned. Timely feedback from members of the Committee maintaining holds would enable the Office of the Iraq Programme to take the additional or further action required regarding the applications concerned.

Implementation of paragraph 25 of Security Council resolution 1284 (1999)

41. As requested in paragraph 25 of Security Council resolution 1284 (1999) and based on the utilization of its efficient review mechanism, the Secretariat continued reporting to the Security Council Committee on all applications containing items notifiable under the provisions of Council resolution 1051 (1996). The additional information obtained by the Secretariat for the above review should contribute to reducing the number of holds placed on applications for lack of technical specifications.

42. However, there were 171 applications, with a total value of $486 million and involving thousands of line items within applications, on which the Committee disagreed with the determination by Secretariat experts that the concerned items were not notifiable. The Secretariat experts had determined that the items were not included in the list to which the export/import mechanism approved by Security Council resolution 1051 (1996) applies. The Committee disagreed. In order to address this problem and encouraged by the outcome of a meeting held in April 2000, the Office of the Iraq Programme will organize another such meeting between the Secretariat experts and the experts of interested members of the Committee.

Approvals/releases on condition of monitoring/ observation

43. As indicated in paragraph 22 of my previous report (S/2000/857), the Office of the Iraq Programme has consolidated further the United Nations observation mechanism, in full cooperation with the United Nations Office of the Humanitarian Coordinator for Iraq and the United Nations agencies and programmes in Iraq. This enhanced mechanism integrates the resources of the Office of the Iraq Programme, the Office of the Humanitarian Coordinator for Iraq, United Nations agencies and programmes and the independent inspection agents Cotecna and Saybolt with a view to providing adequate assurances to the members of the Committee that items of special concern are utilized for the purpose for which they were approved.

44. I am pleased to note that the above measure has significantly helped in the approval and/or release from hold by the Security Council Committee of 507 applications, valued at $870 million, on condition that special targeted monitoring and observation is to be carried out. The regular reports submitted to the Committee on observation and monitoring of such supplies delivered to Iraq should encourage the Committee members to approve or release from hold those applications which are on the list provided for under Council resolution 1051 (1996).

Notifications and approvals by the Secretariat

45. In conformity with paragraphs 17 and 18 of Security Council resolution 1284 (1999), the Secretariat has been carrying out notifications of applications covered by the categorized lists approved by the Security Council Committee for the agriculture, education, food and food handling, health and water and sanitation sectors, as well as approving phase VII applications for oil spare parts and equipment. The Committee has also approved lists of additional items for the health and agriculture sectors during the reporting period, and pursuant to paragraph 8 of Council resolution 1302 (2000) approved a categorized list of items for the water and sanitation sectors, for which the Secretariat is also carrying out notifications. As noted in paragraph 34 above, the project-based list of oil spare parts and equipment for phase VIII submitted to the Security Council Committee pursuant to paragraph 18 of Council resolution 1284 (1999) has remained on hold since 23 August 2000. As a result and until such time as it is approved, all applications for oil spare parts and equipment submitted for the present phase are circulated to the Committee, in accordance with previously established procedures.

46. The Secretariat has to date announced that 1,188 applications, with a total value of $2.679 billion, were eligible for payment. Sixty-six applications for oil spare parts and equipment, worth $51.96 million, were approved by the group of oil experts without circulation to the Committee. The Office of the Iraq Programme is currently assembling, with the help of the Humanitarian Coordinator for Iraq and the United Nations agencies and programmes concerned, lists of

additional items to be proposed for approval by the Committee under the procedures provided for in paragraphs 17 and 25 of Security Council resolution 1284 (1999) and paragraph 8 of Council resolution 1302 (2000).

47. I should like to reiterate the recommendation contained in my previous report and strongly urge the expansion and extension of the lists and procedures involved under paragraph 17 of resolution 1284 (1999) to all remaining sectors in the distribution plan (see S/2000/857, para. 47).

48. The Executive Director of the Iraq Programme has also brought to the attention of the Committee members concerned that some of the applications they had placed on hold in previous phases contained items which were later included in the pre-approved lists pursuant to paragraphs 17 and 18 of Council resolution 1284 (1999). These applications, worth a total of $10.8 million, would have been approved without circulation to the Committee had they been submitted after the adoption of the above-mentioned resolution.

Letters of credit

49. The backlog in the issuance of letters of credit experienced earlier in 2000 by BNP-Paribas has been considerably reduced, thanks to the joint efforts of the United Nations Treasury and BNP-Paribas, which deployed adequate resources to address the matter. On several occasions, the Central Bank of Iraq has also been requested to expedite its instructions regarding the opening of letters of credit soon after the approval of applications, and to reduce its response time to the requests for clarifications by BNP-Paribas.

50. Regrettably, however, there have been serious delays on the part of the Central Bank of Iraq in sending the necessary instructions to BNP-Paribas to open the letters of credit concerning applications for which corresponding letters of approval had been issued. As at 31 October, there were some 600 approved applications, including 45 for oil spare parts and equipment, with a total value of about $1.1 billion, awaiting the necessary instructions by the Central Bank of Iraq. The Government of Iraq has been kept fully up to date on this situation and reminded of the need for a determined effort to address this persisting problem. As a result, there has been a noticeable increase in the number of instructions received from the Central Bank of Iraq on the opening of letters of credit.

51. I should like to reiterate my previous recommendations that the Government of Iraq deploy to New York a representative of the Central Bank of Iraq, at the appropriate level, in order to expedite activities related to banking arrangements (see S/1998/90, para. 55).

Commercial protection

52. With the growing volume of supplies delivered to Iraq as well as the greater complexity of the types of supplies, the number of cases in which supplies were not delivered in full or did not comply with the contracted specifications has increased considerably despite efforts by the Government of Iraq to engage reliable suppliers.

53. In paragraph 110 of an earlier report (S/2000/520), I had reiterated my earlier recommendation that the Security Council Committee review further the options submitted by the Office of the Iraq Programme in July 1999, concerning payment clauses for the ESB (53 per cent) account. I regret that the Committee has taken no action on this important issue, despite the follow-up by the Executive Director of the Iraq Programme, through his letter dated 14 September 2000, addressed to the Chairman of the Committee. I should like to urge the Committee to review the matter urgently and take the necessary measures to meet the legitimate need to provide commercial protection for purchases made under the ESB (53 per cent) account. Meanwhile, the Office of the Iraq Programme has systematized procedures concerning the supply of warranty or replacement goods for non-compliant, damaged or missing items under the applications previously approved and delivered to Iraq.

The role of United Nations agencies and programmes in improving applications processing

54. The Office of the Iraq Programme, the Office of the Humanitarian Coordinator for Iraq and the United Nations agencies and programmes concerned have intensified their joint efforts to provide the necessary information to the Security Council Committee, thus expediting the processing and approval of applications as well as contributing towards the lifting of holds placed on applications. Similarly, the same intensified efforts are also directed towards the ministries and departments of the Government of Iraq, providing them

with timely information on the status of applications, holds, letters of credit and other pertinent information necessary for their appropriate follow-up action.

IV. Observation and monitoring activities

A. Inspection and authentication of humanitarian supplies

55. The United Nations independent inspection agent for humanitarian supplies, Cotecna, continued to authenticate the arrival of supplies at the border entry points of Al-Waleed, Trebil, Umm Qasr and Zakho, and to report on the arrival of humanitarian supplies procured under the ESB (53 per cent) and ESC (13 per cent) accounts. Expedited sampling and testing has continued at laboratories in Jordan and Turkey, in the absence of agreement by the Government of Iraq to station mobile testing laboratories at the border entry points.

56. The Office of the Iraq Programme and Cotecna have taken additional measures to improve the transmission of electronic data from the four border entry points to the oil-for-food database. Once in place, the new arrangements should reduce substantially the time necessary to confirm authentication of the delivery of supplies and to expedite the payment process. Furthermore, the Office of the Iraq Programme and the United Nations Treasury have agreed on the modalities of electronic certification of authentications. This is expected to reduce considerably the time and resources required for finalizing the payment process.

B. Monitoring of oil spare parts and equipment

57. The rate at which oil spare parts and equipment are arriving in Iraq under phases IV to VII has continued to increase. During the reporting period, 452 shipments were received, of which supplies covered by 228 contracts were fully delivered and monitored and arrivals for 63 contracts were under letters of discrepancy. In addition, the supplies covered under 19 contracts have arrived but have not yet been checked and are in storage, and 140 partial deliveries have been made. There have been no deliveries of oil spare parts and equipment under phase VIII.

58. The value of the supplies delivered during the period (estimating the letters of discrepancy and partial deliveries on the basis of prior performance) is $123.1 million. The total value of deliveries of oil spare parts and equipment since phase IV is $430.9 million.

59. During the reporting period, the Saybolt monitoring team carried out 586 site visits throughout Iraq.

60. The Saybolt oil spare parts and equipment monitoring team is based in Baghdad, and consists of six team members. Team members routinely visit the south and north of Iraq once a week, covering various warehouses in each area. Owing to the increasing volume and complexity of oil spare parts and equipment delivered, each monitoring trip now takes at least three days to complete. Warehouses in the vicinity of Baghdad, which can be visited in one working day, are covered by the monitors from the Baghdad office. Ongoing monitoring continues to be carried out on projects involving the building of surface installations and transportation infrastructure projects.

61. Special operating procedures have been developed and instituted by the Office of the Iraq Programme with regard to specialized monitoring of certain contracts. Examples of these during the reporting period include the monitoring and confirmation of studies carried out at the Daura Refinery to enable the contracting of specialized repairs and maintenance; the ongoing monitoring of construction of storage tanks at K3, Haditha; and the monitoring of ongoing construction of two crude oil de-gassing and de-watering plants at South Rumailah.

62. The group of experts established pursuant to paragraph 18 of Security Council resolution 1284 (1999) has issued a comprehensive list of 245 contracts that require end-use/user monitoring, and the Saybolt monitoring team has recently begun special visits to carry out these requirements. These special monitoring activities are reported separately from regular monitoring activities. The listing of special end-use/user monitoring requirements is updated on a monthly basis by the group of experts.

63. Consideration is being given to increasing the number of monitors of oil spare parts and equipment deployed to Iraq in view of the increasing number of oil spare parts and equipment contracts requiring special monitoring and/or end-use/user monitoring, as well as the overall increase in the volume of oil spare parts and equipment delivered to Iraq, following the increased allocation for this sector. Any increase would be commensurate with the increased rate of arrival of oil spare parts and equipment and required monitoring activities. Based on current estimates, it is envisaged that an immediate increase of two monitors is necessary. A further four to six monitors are estimated to be required as the arrival rate of oil spare parts and equipment continues to increase.

C. United Nations observation mechanism

64. The enhanced observation mechanism and procedures referred to in paragraph 43 above, which were put in place on 20 July 2000 and described in detail in previous reports to the Council, has enabled the Office of the Humanitarian Coordinator for Iraq to improve the effective management of the observation process. Efforts are being made to ensure that the entire component of 158 international observers agreed upon in August 2000 by the Government of Iraq and the Executive Director of the Iraq Programme is present in Iraq and engaged fully in field observations. Since observation is one of the core responsibilities of the humanitarian programme in Iraq, the upgrading of the technical capacity of observers has also been undertaken. Under the enhanced observation process, observation in the three northern governorates is carried out by the Office of the Humanitarian Coordinator for Iraq.

65. I remain confident that the strengthened observation mechanism will meet the reporting needs of both the Security Council and its Committee. As indicated in my previous report (see S/2000/857, para. 22), the arrangements will be kept under constant review so that adjustments may be made, as necessary.

66. On 19 October, the United Nations Humanitarian Coordinator in Iraq as well as the representatives of the agencies and programmes involved in the implementation of the programme in Iraq briefed the Security Council Committee on the humanitarian situation in Iraq as well as on the effectiveness of the revised observation mechanism. They gave assurances to the Committee that the appropriate expertise was being put in place to enhance observation coverage. This coverage will ensure that sufficient attention is given to the core issues of equity, efficiency and adequacy. It will also provide relevant end-use and end-user observations for specific items requested by the Committee as a condition for the release of holds placed on applications. It is my sincere hope that the Committee will, on the strength of these assurances, review further the present high level of holds on humanitarian contracts in order to enhance the effectiveness of the programme. The United Nations Humanitarian Coordinator and the representatives of the agencies and programmes concerned were at United Nations Headquarters to participate in the inter-agency meeting on the humanitarian programme convened by the Deputy Secretary-General on 17 and 18 October 2000.

V. Programme implementation

67. A broad range of activities was undertaken by the programme during the reporting period, both within sectors and intersectorally. While many of the recently instituted inter-agency sectoral working groups were occupied primarily by issues and activities falling within their purview, a number of cross-sectoral issues required and received a more holistic approach by the humanitarian programme. Primary among the cross-sectoral issues were the drought and the plight of internally displaced persons, but such issues as the persistent lack of and need for a cash component in the central and southern governorates also arose in many different sectors.

A. Sectoral issues

Food

68. It may be recalled that, in approving the distribution plan for phase VIII, I had welcomed the increased caloric target of 2,472 kilocalories per person per day and the financial allocation for the food basket (see S/2000/733, annex I), in line with recommendations contained in my supplementary report to the Security Council of 1 February 1998 (S/1998/90). Understandably, however, the above target for the food basket could not be met during the present phase due to the time required for contracting for and

the arrival of the supplies required. The actual levels of the food basket during the period under review provided an average caloric and protein value of 2,188 kilocalories and 47.9 grams, respectively, per person per day, corresponding to 89 per cent caloric and 80 per cent of protein requirements established under the distribution plan for phase VIII.

69. The provision of lower quantities of pulses and dried whole milk in the monthly food basket was one of the main factors for the shortfall in the protein value, although other factors played a role in that respect, including the steep rise in prices for commodities, such as wheat and rice. As a result and with no penalties applicable under the current procedures, some contractors did not fulfil their obligations under their contracts signed by the Government of Iraq and did not ship the supplies concerned. I appeal to the Government of Iraq to take all necessary measures to improve its contracting and ordering procedures in order to ensure early arrival of the necessary supplies and effective distribution of the food basket, in full compliance with the targets set forth in the distribution plan.

70. In May 2000, the World Food Programme (WFP) reviewed measures to improve the accuracy of registering food basket beneficiaries in Dahuk, Erbil and Sulaymaniyah. It recommended the establishment of verification centres, which would address any inconsistencies and irregularities in the screening, registration and verification processes, and thereby minimize abuses, such as failure to report changes in family status and double registration.

71. With regard to transportation and food handling, in June and October 2000 WFP missions visiting Iraq made a thorough assessment of both the food handling and transport infrastructure capacity and of the impact of the contracts on hold on the efficient implementation of the programme. They recommended creating a new food handling/transport sector from the relevant subsectors contained in the distribution plans. They also suggested the inclusion of a team of 10 WFP international observer specialists in ports, railways, road transport, warehousing, silos and milling within the enhanced observation mechanism. The leader of the team assumed his duties in Iraq at the end of September, and a full complement of observers is expected to be in place by the end of 2000. The team leader is already participating in joint planning, observation and reporting within the working group on transport and food handling. The findings of the missions were presented to the Security Council Committee on 22 October 2000.

72. I wish to reiterate my serious concern over the lamentable state of the cargo off-loading facilities and equipment at the port of Umm Qasr. The WFP missions, inter alia, reaffirmed previous findings made by United Nations observation teams on the deteriorating conditions of the facilities of the main port, Umm Qasr. In Umm Qasr, while a number of contracts for the procurement of equipment, such as forklifts, loading arms and other discharge-related equipment, have been executed by the purchasers and approved by the Security Council Committee, suppliers have yet to deliver the majority of the required goods. Due to frequent breakdown of port equipment, the bulk of the discharge of goods is currently being carried out by shipboard equipment. This has led to severe delays in the rate of discharge. Recently, the last remaining functioning container forklift was disabled, and consequently cargo is accumulating in the already congested port. In addition, the lack of available trucks to remove such cargo from the port has further exacerbated the already congested port. Such delays in discharge adversely affect both receivers and suppliers of goods.

73. Contracts have been submitted by the Government of Iraq to address the problems identified, which include restrictions, insufficient electricity supply, lack of shore handling and safety equipment, and a dearth of adequate service and supply boats to assist programme vessels. None of the items in the contracts approved to date for the rehabilitation of Umm Qasr port, valued at $28.5 million, has arrived in Iraq due to delays in contracting by the Government of Iraq, delays in the approval of applications by the Security Council Committee and the lengthy lead-time for the delivery of some items. Additionally, nine contracts for the procurement of fire-fighting vehicles, boats and other equipment worth $21 million remain on hold.

74. The first four items ordered for the rehabilitation of the Iraqi railway system — generators, clips, shoulders and spare parts, valued at $3.6 million — arrived during the reporting period, after having been released from hold in June 2000. They had been part of a large group of applications for approved railways equipment and spare parts, valued at $113.5 million. United Nations observations have confirmed the

distribution and utilization of these items. Unfortunately, most of the vital complementary railway equipment needed for track maintenance and the safe and efficient operation of the railway system, such as track tamping machines and signal and communications equipment, has remained on hold. This has resulted in the slow pace of transportation as a result of delays in track repairs and increased risks to operational safety due to poor railway signalling and communication facilities. I should like to appeal to the Security Council Committee to lift the holds placed on the applications on the contracts concerned in order to contribute to the safe and efficient transportation of humanitarian supplies and equipment.

75. During the reporting period, another WFP mission reviewed the capacity of the food quality testing laboratories in Iraq. The mission identified several insufficiencies in the Iraqi food quality testing laboratories, particularly the unavailability of basic items and materials required to carry out laboratory analysis. These findings confirmed earlier United Nations observation reports that existing laboratory equipment does not meet the necessary standards to perform adequately food quality control testing. Some physical, microbiological and chemical tests could either not be performed or provided inaccurate results because the available equipment was malfunctioning, out of order or unavailable. Nevertheless, 18 contracts for urgently needed laboratory equipment worth $6.1 million remain on hold. I urge the Committee to consider the early release of these holds to facilitate the provision of safe food to the Iraqi population.

Health and nutrition

76. During the period under review, six joint United Nations observation visits to various plants and locations of Samara Drugs Industries were made, with the full cooperation of Iraqi officials, to observe the intended use of materials and equipment to be supplied under the programme. These visits have provided clarifications that should facilitate both the release of holds already placed on a number of applications and reduce significantly the number of future holds on new applications.

77. I am pleased to report that there has not been any reported case of poliomyelitis in Iraq over the last nine months. In order to enhance the immunization programme in the three northern governorates, a three-day catch-up measles campaign for children under five was conducted in August and September 2000, raising the measles immunization coverage among children under one, to 92 per cent. The first and second rounds of a three-day tetanus toxoid campaign have been undertaken in Sulaymaniyah. Further immunization campaigns have been planned countrywide for November and December 2000 that would target 4 million children under five years of age. However, the United Nations Children's Fund (UNICEF) acknowledges that there are still gaps in the immunization coverage for such groups as nomads, internally displaced persons and people living in remote areas.

78. In July 2000, an advanced computer programme was installed in the World Health Organization (WHO) warehouses in the three northern governorates, making it possible to identify items at risk of expiring, help in the redistribution of such items to other health facilities, ensure their utilization and avoid wastage. The provision of different vehicles and ambulances to health-care facilities enhanced logistic support to such facilities and the transfer of patients.

79. With regard to targeted nutrition, I welcome the considerable progress made in the targeted nutrition programme that provides therapy for malnourished children, pregnant women and lactating mothers, including the expansion and equipping of community childcare units, the training of volunteers, screening and enrolment. Much more effort is required, however, to ensure the timely arrival and distribution of the required supplies in sufficient quantities to address the nutritional needs.

80. An assessment based on observation of 68 community childcare units in seven governorates of central and southern Iraq showed that 76 per cent of the community childcare unit volunteers had been trained, 81 per cent of the units had functional weighing scales, 68 per cent had growth charts and 60 per cent had referral cards. It was also noted that the proper enrolment of children under five continued.

81. United Nations observation visits confirmed the distribution of high protein biscuits and therapeutic milk supplies, valued at $2.5 million, to end-user sites, although a large number of beneficiaries have yet to be reached. However, the above assessment also showed, quite disturbingly, that 31 per cent of community childcare units had no high-protein biscuits. Accordingly, only 24 per cent of estimated

malnourished children under five and only 23 per cent of pregnant women and lactating mothers had received at least one high-protein biscuit ration.

82. I am pleased to note that the distribution of the available therapeutic milk, which has been delayed over the issue of the actual niacin content, appears to be imminent, with the confirmation that it conformed with the contracted niacin content. Unfortunately, however, delays in contracting and submission of applications under phase VII and delays in the arrival of nutrition supplies ordered under phases IV, V and VI are impeding the effective implementation of the targeted nutrition programme. As at 31 October 2000, only 69 per cent of the supplies approved under phase IV and 17 per cent of the supplies approved under phase VI for high-protein biscuits had arrived in the country, while none of the supplies contracted and approved for phase V had arrived. No applications have yet been submitted for phases VII and VIII. I therefore appeal to the Government of Iraq to expedite contracting for the required nutritional supplies. Another major problem hampering the effective implementation of the targeted nutrition programme in the central and southern governorates is the lack of a cash component for the transportation of supplies, staff training, the supervision and monitoring of malnourished children and nutrition education.

83. None of the 15 public health centres or 68 community childcare units assessed in October 2000 had a government vehicle for the distribution of targeted nutrition supplies. The Government of Iraq is in the process of identifying suppliers for major logistics items, including 200 vehicles for distribution and supervision activities.

84. During the period under review, WFP distributed 8,500 metric tons of assorted food commodities under its supplementary feeding programme to beneficiaries in the governorates of Dahuk, Erbil and Sulaymaniyah. As at 31 October 2000, almost 100 per cent of commodities under phases I to VI had arrived and been distributed; 40 per cent of phase VII commodities had also arrived.

85. In the three northern governorates, the results of the June 2000 biannual survey by UNICEF to monitor the prevalence of malnutrition in children under five revealed that chronic malnutrition (stunting) had declined from 18.3 per cent to 14.5 per cent in the course of the last year. They also showed, however, that there was an increase in underweight children from 9.5 per cent to 13.4 per cent, and of acute malnutrition (wasting) from 1.8 per cent to 4.1 per cent. This sudden increase in acute and underweight malnutrition was attributed to the high number of diarrhoea cases (28 per cent) in the summer months. These results confirmed the need for more intensive education campaigns to raise awareness about the importance of proper health and hygiene practices. Such campaigns have, as in the case of cholera, had swift and significant results. During the reporting period, only five cases of cholera were found in stool samples in Erbil governorate, and no cholera cases were detected in Dahuk or Sulaymaniyah, compared to the situation in 1999, when hundreds tested positive in Erbil, Dahuk and Sulaymaniyah.

Water and sanitation

86. Modest increases in performance efficiencies in water production have been recorded over the past six months. Unfortunately, the full benefits of these increases were not realized at the consumer level because of the estimated 40 per cent water losses from leakage in the network, wastage by consumers and additional demand resulting from population growth. I also note with increasing concern that nearly 90 per cent of raw sewage from the sewage pumping stations in Iraq is currently being discharged directly into rivers and streams. Consequently, many Iraqi people who rely on river water for their daily needs are being compelled to deal with contaminated water, with serious public health implications.

87. The reason for this is that the majority of the sewage treatment plants in the country have not benefited from programme inputs. The only exception is the sewage treatment plant in Baghdad, which though currently operating at 65 per cent efficiency is able to handle only 32 per cent of the city's sewage volume. Improvement in the sewage pumping stations aimed at reducing sewage flooding, the collapse of sewer lines and the pollution of water pipes through the utilization of jetting equipment, cesspool emptier tankers and the replacement of pipes will not improve the final disposal of sewage without the rehabilitation of the system. While urging continued rehabilitation of the network, I should like to appeal to the Security Council Committee to approve most expeditiously water and sanitation equipment applications as well as to reconsider and release most urgently the holds

placed on applications concerning the water and sanitation sector in order to expedite rehabilitation of direly needed facilities.

88. The Office of Iraq Programme fielded two missions on water and sanitation during the period under review, one to the central and southern governorates of the country and another to the three northern governorates. The former of these, conducted in May and June 2000 in the centre and south of Iraq, confirmed previous findings that the Iraqi water and sanitation authorities face a very serious shortage of qualified personnel and inadequate planning capacity and are forced to implement according to essentially unplanned arrivals of materials. They have insufficient budgets, and once these are used or overstressed projects either have to be cut back or stopped.

89. It is understandable that in the current emergency situation the Iraqi authorities have given priority to maintaining or increasing the quantity and quality of treated water. It is normal that priority is given to water because sewage treatment usually requires two or three times the level of resources in terms of personnel and equipment. Even with improved pumping capacity and disinfectant supply, the operational capacity of many (and probably most) treatment plants is simply inadequate to counter the level of bacterial contamination in the raw water intake. The treated water is further at risk from the incidence of cross-contamination in the distribution network.

90. In this sector perhaps more than in any other, progress is dependent on coherent planning, the reduction of wastage, the availability of a cash component and a substantial reduction in holds placed by the Security Council Committee on applications for the purchase of essential equipment for civil construction work. Although it is acknowledged that these measures alone will not resolve all the constraints on effective implementation, there is currently an acute shortage of human resources available at all levels — for the preparation of the distribution plan, undertaking repairs, the maintenance of old equipment and the installation of new equipment. Similarly, inadequacies persist for construction equipment, workshops, hand tools, and machine tools.

91. The mission to the three northern governorates recommended that rehabilitation work in the governorates take into account the availability of local supplies and labour. Emphasis on supplies for water and sewerage plants should focus on the detection and repair of leaks, along with the cleaning and replacement of water, sewer and storm-water pipes. In the past, emphasis had been placed on quick-fix programmes built on the emergency supplies scheme. It is now necessary to give consideration to effectiveness and sustainability, which will require a shift from supply-focused intervention to a combination of supply and service, focusing on institution strengthening.

Agriculture

92. The results of an assessment of the poultry revival programme, made jointly by the Food and Agriculture Organization of the United Nations (FAO), the United Nations Office of the Humanitarian Coordinator for Iraq and the Government of Iraq and covering the period May 1998-April 2000, showed that the number of rehabilitated hatcheries increased approximately fivefold, egg production fourfold and operating slaughterhouses by 56 per cent, compared with 1998 levels. The amount of chicken meat and eggs available to the public is estimated to be 3.57 kilograms and 17 eggs per capita per year, compared with 1.47 kilograms and nine eggs per capita prior to the inception of the programme. The price of chicken meat has dropped by 43 per cent and the price of eggs by 29 per cent.

93. An analysis of distribution and marketing outlets showed that products are sold in accessible, government-approved outlets at very low government-fixed prices, in line with the Government of Iraq's strategy of increasing affordability and encouraging reduction of open-market prices for such products.

94. Great potential to increase poultry production exists provided that major constraints — electric power shortages, high mortality owing to disease and the irregular and uncoordinated supply of inputs — are addressed. The request by the Government to amend the distribution plan to increase the quantities of vaccines for the Newcastle disease has been approved. I appeal to the Security Council Committee to approve expeditiously any applications received regarding such vaccines, in the light of existing technical problems that are impeding local production of the vaccine.

95. A recent outbreak of Rift Valley fever (a haemorrhagic disease transmitted by mosquitoes that affects both animals and humans) in some of the countries in the region constitutes a serious threat to

the population of Iraq, one that must be handled pre-emptively and expeditiously. In order to assist in preventing the spread of Rift Valley fever to Iraq, the Office of the Iraq Programme has already brought to the attention of the Security Council Committee a list of materials and equipment, prepared by FAO, required to support a spraying campaign. As soon as the applications concerned are received and processed by the Office of the Iraq Programme, it is my hope that the Committee will approve them expeditiously.

96. In the three northern governorates of Dahuk, Erbil and Sulaymaniyah, significant progress has been achieved in the livestock sub-sector. Mass dipping of ruminants and spraying of animal stables was carried out; 821,000 tons of livestock feed, protein concentrates and soy bean meal was distributed; and the number of poultry farms increased by 60 to reach 480. Backyard poultry farmers received 43,200 layer chicks and 750 metric tons of feed. Ten million fish larvae were produced, and seven million were used to restock the Dokan and Derbandikhan dams.

97. Furthermore, one million seedlings of five species, including fruit trees, were produced and distributed, 1,500 kilograms of different species of local forest seeds were collected and 40,000 natural forest trees were budded. In addition, 2,000 farmers and 640 agricultural staff were trained, 100 courses were conducted, and over 80 field demonstrations were conducted, in addition to meetings, exhibitions and television programmes.

Electricity

98. Over the last four years, there has been a steady increase in electricity demand and a steady decline in supply, leaving the power deficit by August 2000 at 1,800 megawatts. The very substantial load shedding that this necessitated left large areas of the 14 governorates of central and southern Iraq without electricity for up to 18 hours per day during the peak summer months and four to eight hours per day in the Baghdad governorate over the same period. However, it should be noted that since August 2000, because of reduced seasonal demand, the situation has improved considerably. It has been reported that in the 14 governorates in the centre and south, there are now shortages of 8 to 12 hours, whereas in Baghdad there is a continuous supply of electricity. Undoubtedly, programme inputs prevented the complete collapse of power generation, transmission and distribution systems, but a spate of accidents affecting generating and transmission units in the reporting period underlined the precariousness of the situation.

99. Although rehabilitation work at Nassiriyah, Mosul, Daura and Baiji and new generation units at Mulla Abdulla power stations provided an additional 412 megawatts to the national grid, a total shutdown of Mussaiyab in August 2000 caused a temporary loss of 600 megawatts or 17 per cent of total electricity production. This reduced the cycle in the system to 48.75 hertz, so low that a further loss of 100 megawatts of generation could have resulted in a catastrophic system failure.

100. Even though the peak summer danger period is now over, the problems of system stability, controlled load flow and the lack of spinning reserve to cushion abrupt generation failures continue. United Nations observation throughout the period at power sector installations showed that in the majority of cases the problems of preventing further deterioration and stabilizing power generation and distribution were exacerbated by or directly attributable to applications on hold. As at 31 October 2000, 188 contracts worth $871 million were on hold, representing 37 per cent of all holds in all sectors, which, if released and fully implemented, would add a further 1,443 megawatts to the grid.

101. In previous reports, I have repeatedly drawn the Council's attention to the multiplier effects of electricity shortages on the health status of the population. Continued holds on applications for control, communication and safety equipment constitute an unacceptable hindrance to the implementation of the humanitarian programme. Although materials which are to be utilized in scheduled maintenance or are to reach Iraq before summer 2001 should have a positive impact, the electricity system as a whole urgently needs the control and protection equipment that has already been contracted but not yet approved by the Security Council Committee.

102. During the reporting period, 22,580 houses in all 15 governorates in the centre and south of Iraq were provided either with a connection for the first time or were reconnected using programme resources. However, about 150,000 households in the governorates of the centre and south have not been connected because of acute shortages in distribution

material. The connection or reconnection of these houses could be achieved with the release of holds on supplies for electricity generation and distribution equipment.

103. In the governorates of Dahuk, Sulaymaniyah and particularly Erbil, the overall electricity supply remained critical. Except for essential services, the population of Sulaymaniyah is receiving only two hours of electricity per day, while the population of Erbil has no power except the emergency generators. In Dahuk, which is connected to the national grid, it has been reported that the population had been receiving only two to three hours per day; this has increased to up to 12 hours per day since October 2000. In response to the continued drought, additional small diesel generators were installed to ensure electricity for water supply, hospitals and emergency household and agricultural needs. Work is nearing completion in the installation of three 29 megawatt generators, and constructive discussions are under way with the Government of Iraq with respect to the provision of the large quantities of fuel required to run them. In addition, discussions and work are also ongoing on the extension of transmission and distribution lines, involving the United Nations, local authorities and the Iraqi Commission of Electricity in Baghdad. Notwithstanding these activities, intensified and focused attention on the reconnection of the northern governorates to the national electricity grid is essential, as this constitutes potentially the most cost-effective solution to the unmet and longer-term electricity needs of the area.

104. However, since production of electrical power in the central and southern governorates remains insufficient, reconnection alone will not address the severe shortage of electricity in the three northern governorates unless the Security Council Committee approves expeditiously applications for the necessary equipment and spare parts.

Education

105. Shortages of basic school supplies, especially desks and relevant teaching material, and the poor condition of school buildings continued to create an unfavourable learning environment for pupils at the pre-tertiary levels. An assessment conducted by United Nations observers on the condition of school buildings in the central and southern governorates of Iraq showed that 37 per cent of the visited schools were considered to provide learning environments that were less than minimally safe. Overcrowding of classrooms was commonly observed. Given these problems, I appeal to the Government of Iraq to accord the education sector greater priority and increase allocations, as necessary.

106. Although the delivery of vehicles, lifting equipment, computers and furniture has improved both the movement of commodities to end-users and the quality of the learning environment, the lack of a cash component continues to impede installation of the material. Without an early resolution of the outstanding question of the cash component, however, the rehabilitation and reconstruction of deteriorated school buildings, the improvement of the learning environment and the promotion of increased enrolment may prove elusive.

107. In the three northern governorates, United Nations agencies have undertaken measures that included both the introduction of an education management information system for improved educational planning and the establishment of a computer centre at the local authority for education in Erbil to train the staff and teachers of the department of education as part of a capacity-building initiative. They also continued to distribute educational supplies to improve teaching and learning and to rehabilitate school buildings, which have impacted positively on school enrolment and attendance.

Telecommunications

108. I wish to draw attention to the deplorable state of telecommunications services throughout Iraq and the large number of holds placed on applications for contracts. As at 31 October 2000, 48 applications, valued at $141 million, had been placed on hold, out of a total of 107 telecommunications contracts, valued at $230.5 million, received by the Office of the Iraq Programme. Because of the lengthy lead time between the approval of contracts and the actual delivery of equipment, to date only 2.2 per cent ($5.6 million worth) of the equipment approved has arrived in the country, which is seriously impairing efforts to rehabilitate the transport and telecommunications sector.

109. The observation team led by the International Telecommunication Union (ITU), having conducted a preliminary assessment of 27 Iraqi Post and Telecommunication Company (IPTC) facilities in all the central and southern governorates, confirmed earlier findings showing that the facilities are deteriorating to the point where no effective telecommunications services would soon be available in Iraq unless appropriate action is rapidly taken.

110. The observation team also noted that it is impossible to carry out appropriate maintenance tests needed to operate at an international standard, such as communication traffic quality tests. Electrical current induction on telephone wires, caused by the proximity of unauthorized parallel power cables extensively used for private electricity generators, is damaging the subscriber cards in the exchanges at a very rapid rate. There is no protection equipment in place to counteract this and the cards were not designed to withstand such power surges. In addition, the test equipment and spare parts needed for maintenance are not available. Many damaged cards cannot be repaired and many subscribers cannot be reconnected, which is leading to the total breakdown of the entire network. The rate of unsuccessful calls has risen dramatically. Accordingly, I should like to reiterate my appeal to the Security Council Committee to expedite the release on holds placed on applications for telecommunications equipment, once the technical information has been provided to the Committee, in order to prevent the total breakdown of the entire telecommunications system in Iraq.

111. In July 2000, ITU established an office in Erbil. ITU consultants visited 18 telecommunication sites in Dahuk, Erbil and Sulaymaniyah to prepare the technical specifications for the switching systems in the three governorates and the transmission equipment linking them. Additionally, a microwave survey was undertaken in August and September 2000.

112. ITU officials also held meetings with IPTC in Baghdad to discuss points of compatibility between the ITU projects in the northern governorates and the national telecommunications network of Iraq. In addition, a joint meeting with the telecommunications authorities in Erbil and Sulaymaniyah reached agreement on a range of issues, including the location of 10 repeater sites in Dahuk, Erbil and Sulaymaniyah. The technical specification and tendering process has started.

Housing

113. In June 2000, I approved the inclusion of the housing sector in the distribution plan, based on the recommendations of the joint technical review undertaken by the Office of the Iraq Programme and the Government of Iraq (see S/2000/565). The Government of Iraq has allocated a total of $1.25 billion to the housing sector — $112.10 million for phase VI, $342 million for phase VII and $801 million for phase VIII. To ensure appropriate observation of the large volume of construction material envisaged, the United Nations Centre for Human Settlements (Habitat), in consultation with the Office of the Iraq Programme and the United Nations Office of the Humanitarian Coordinator for Iraq, drew up an observation plan and methodology. Senior observation staff has been deployed, and the remaining international observers are presently being deployed, ahead of the arrival of most of the commodities approved to date. Arrangements have also been made to recruit a large number of national observers to join the international team to ensure that the materials are distributed effectively and equitably, as approved by the Security Council Committee. On 6 November 2000, Habitat provided a detailed briefing to the Committee on activities undertaken in the housing sector.

Settlement rehabilitation

114. In the three northern governorates of Dahuk, Erbil and Sulaymaniyah, Habitat continued to construct shelter, associated facilities and infrastructure for internally displaced persons, and to address other humanitarian needs. In view of the huge scale, long lead times, multisectoral linkages and dependency on local skills and businesses that characterize the resettlement sector, Habitat has initiated surveys of internally displaced persons and of the capacity of the local construction industry. These surveys are also an invaluable contribution to Habitat's ongoing goal of refining resettlement policies and improving planning, implementation, and control at both the sectoral and multisectoral levels.

115. During the reporting period, the first phase of the internally displaced persons site survey was conducted. An external specialist was asked to develop and manage the process, and it is believed that between 90 and 95 per cent of all such sites were covered. Preliminary results showed that internally displaced persons, of whom there are about 805,000, account for

roughly 23 per cent of the population. The final results of this first survey are still being compiled, and a second survey, determining household income and need, is under way. When these two surveys are finalized, collated and analysed, a much more comprehensive picture of internally displaced persons and their situations will emerge, facilitating measures to determine their needs and to improve their conditions. The survey has already revealed an urgent requirement for enhanced attention to tents, blankets, expedient electricity and sanitation, and other emergency needs. Such needs are to be addressed through the implementation of a specifically targeted project to deliver emergency relief items.

Demining

116. In demining operations in the governorates of Dahuk, Erbil and Sulaymaniyah, the use of newly implemented area-reduction techniques, increased numbers of dog teams and a high-impact priority-setting approach has hastened the pace of clearance. Requirements for the implementation of new mechanical demining activities that would enhance clearance rates sevenfold were identified during the period under review. The Government of Iraq has recently cleared importation for some essential technical items. However, no communications equipment procured under phase VI has been cleared. These essential communication items are needed for the demining teams to clear lanes for UNDP to undertake the upcoming power enhancement project.

117. During the period under review, 337 landmine and unexploded ordnance casualties were reported in the three northern governorates. Mine victim support services are being rationalized, and gaps in services are being filled with the implementation of two new rehabilitation and vocational centres six satellite prosthetic limb centres, and four new first-aid posts in the Erbil and Dahuk governorates, along with new satellite posts in the Sulaymaniyah governorate. UNOPS has developed mine-awareness activities with local non-governmental organizations to work with communities throughout the Dahuk, Erbil and Sulaymaniyah governorates in order to decrease the number of accidents. UNOPS is also preparing to localize its programmes: two training courses were conducted to integrate 29 national staff into supervisory levels of clearance activities as part of that process in order to enhance both local capacity and long-term sustainability.

B. Cross-sectoral considerations

118. The humanitarian situation in Iraq has been complicated by the severe drought throughout the region, which is in its second consecutive year. With limited or no water flows from streams and springs, water levels in the country's rivers, lakes and dams have been drastically reduced, leading to a corresponding fall in the water table. The two main rivers, the Tigris and the Euphrates, are flowing at record low levels. The impact of this situation extends from limited hydroelectric power generation to shortage of surface water for water treatment plants to insufficient water for crop production. Hydrogeological studies indicate that a continuation of the drought could have a serious cumulative impact on both agriculture and human settlements in affected areas.

119. In the central and southern governorates, drought assessment exercises, conducted in August 2000 by United Nations observers, revealed that cereal production had declined to about 40 per cent, grazing lands to 10 per cent and the price of sheep to 20 per cent of the levels of 1997, the pre-drought year. To address the first of these problems, a number of contracts to import barley (for animal feed) have been approved under the accelerated procedure. Barley has also been added to the list of preapproved items under paragraph 17 of Security Council resolution 1284 (1999), and a number of shipments of barley have already arrived in Iraq.

120. In the central and southern governorates, five rigs were provided under the programme to drill 66 water wells. A focused study on the wells, however, revealed that only 30 per cent are operational due to a lack of pump sets. A need for 727 additional wells that would also require both turbine pump sets and submersible pumps with electricity generators was estimated for Ta'min governorate alone. The impact of drought intervention programmes would have been greater if the necessary complementary items, such as pump sets, were not placed on hold. The total value of holds on applications for drought intervention projects reached $100 million.

121. The severe drought has compounded the distribution of potable water, particularly to rural areas, where about 40 per cent of the compact water treatment plants are not functioning for lack of raw water sources. Efforts to mitigate the effects of the drought through the drilling of boreholes and the provision of water tankers have been constrained by holds placed on contracts for urgently needed equipment. To accelerate drought intervention programmes in this sector, I also appeal to the Security Council Committee to lift holds on applications valued at $44 million for water tankers, compact units and bore hole pumps.

122. In the governorates of Dahuk, Erbil and Sulaymaniyah, under the guidance of an inter-agency emergency drought committee, United Nations agencies and programmes continued to deliver water, install electricity generators, provide fodder and other agricultural inputs, and conduct public health and food security activities in order to alleviate the impact of the second consecutive summer of drought. Some 30 deep wells were drilled and over 120 deep wells were rehabilitated and equipped with submersible pumps and generators. The latter provided irrigation water for 1,700 hectares of land. FAO also distributed water on a daily basis to more than 1,500 drought-affected villages, using 600 water tankers, and the United Nations Children's Fund (UNICEF) provided drinking water through the use of tankers to 475 villages and 25 urban and semi-urban locations. In addition, UNICEF distributed 106 new water tankers to the local authorities. Arrival of these tankers, which had been ordered in phase VI, reduced the need to hire water tankers by over 22 per cent. The provision of drinking water was essential for maintaining the stability of rural populations.

123. The inter-agency humanitarian programme, in collaboration with local authorities, will continue to monitor the extent of upcoming winter precipitation with a view to developing and updating possible scenarios and associated contingency plans for any continuation of the drought.

VI. Conclusions and recommendations

124. Although established as a temporary measure by Security Council resolution 986 (1995), the humanitarian programme for Iraq enters its fifth year in December 2000. By 31 October 2000, a total of $22.7 billion had been made available for the implementation of the programme — $18.7 billion for the centre and south and $4.4 billion for the three governorates of Dahuk, Erbil and Sulaymaniyah, where the United Nations implements the programme on behalf of the Government of Iraq. Of the $16.22 billion worth of applications for contracts approved for the centre and south, supplies with a total value of $8.834 billion have been delivered. Additional quantities of supplies under approved applications, with an estimated value of $7.386 billion, are in the production and delivery pipeline.

125. Undoubtedly, the humanitarian situation in Iraq has generally improved since the inception of the programme, but the lives of the ordinary Iraqis have not improved commensurately. As indicated in my last report, although locally produced food items have become increasingly available throughout the country, most Iraqis do not have the necessary purchasing power to buy them. Unfortunately, the monthly food rations represent the largest proportion of their household income. They are obliged to either barter or sell items from the food basket in order to meet their other essential needs. This is one of the factors which partly explains why the nutritional situation has not improved in line with the enhanced food basket. Moreover, the absence of normal economic activity has given rise to the spread of deep-seated poverty.

126. Under the circumstances, the Government of Iraq may wish to consider increased targeting of resources to meet the needs of the most vulnerable groups, including children and the disabled. In particular, I should like to urge the Government of Iraq to ensure the distribution of the full food ration under the distribution plan as soon as possible. In addition, a more vigorous effort must be made to respond to the needs of internally displaced persons, particularly in the three northern governorates. Consideration may also be given to the inclusion in the next distribution plan of the provision of supplies in support of activities to meet the more specific needs of the poorest among the poor within the population.

127. With increasing funding for the humanitarian component of the programme, the time has come to review the validity of applying procedures and practices originally designed to cover food and medicine to a vastly more complex array of infrastructure and equipment. I have therefore directed the Executive Director of the Iraq Programme to initiate consultations with the Security Council

Committee and the Government of Iraq with a view to streamlining and improving procedures governing the submission, processing and approval of applications.

128. I wish to reiterate my serious concern over the excessive number of holds placed on applications. Despite all commendable efforts made, including the implementation of an enhanced observation mechanism in the field, the volume of holds has risen drastically to $2.31 billion as at 31 October 2000. This is certainly one of the major factors that are impeding programme delivery in the centre and south. Current holds on such sectors as electricity, water and sanitation and agriculture impact adversely on the poor state of nutrition in Iraq. Similarly, holds on trucks badly needed for transportation of food supplies may soon affect distribution of food rations, which is also compounded by collapsing telecommunications facilities. I therefore appeal to all parties concerned to fully cooperate and address the excessive number of holds placed on applications.

129. I also wish to express my concern regarding the large volume of incomplete or non-compliant applications submitted to the Secretariat, now totalling over $850 million, which could not be processed until receipt of the information requested either from the suppliers or the Government of Iraq. Furthermore, there have been serious delays by the Central Bank of Iraq in sending the necessary instructions to BNP-Paribas to open letters of credit concerning applications already approved, which at times have involved contracts up to a total value of $1 billion. Accordingly, I appeal to all concerned to expedite procedures and provide all necessary information requested by the Secretariat in order to expedite the arrival of the supplies in Iraq.

130. I also appeal to the Government of Iraq to expedite its contracting procedures and to ensure the timely submission of applications by its suppliers. I am very much concerned at the very slow rate of submission of applications for phase VIII for the majority of the sectors. With less than a month to the end of the present phase, only 597 applications, with a total value of $2 billion or 28.14 per cent of the funds budgeted for the phase VIII distribution plan, had been received by the Secretariat. For example, not a single application for either health or education sectors had been submitted under the present phase.

131. I note with satisfaction the implementation of paragraph 17 of Security Council resolution 1284 (1999), whereby the Secretariat has "notified" applications with a total value of $2.679 billion, without circulation to the Security Council Committee, concerning humanitarian supplies and equipment in agriculture, education, food and food handling, health, and water and sanitation. I should like to reiterate my recommendation that similar arrangements be extended to all remaining sectors in the distribution plan.

132. I am deeply concerned, however, with the poor implementation record under paragraph 18 of Security Council resolution 1284 (1999). It is very regrettable that the project-based list of phase VIII oil spare parts and equipment submitted by the Secretariat to the Committee on 8 August 2000 has remained on hold. I am also concerned that only one application, with a total value of $12.73 million, has been submitted to the Secretariat under phase VIII against the allocation of $600 million.

133. The absence of an appropriate cash component has increasingly hampered the implementation of the programme. A cash component is essential for all sectors of the programme. With the increased funding level and volume of supplies and equipment being delivered to Iraq, the effective implementation of the programme cannot be achieved unless there is an early positive resolution to the present impasse. I have directed the Executive Director of the Iraq Programme, together with the United Nations Humanitarian Coordinator for Iraq, to further intensify their efforts towards finding an appropriate mechanism acceptable to all concerned.

134. I should like to appeal to the Security Council to direct its Committee to review its work and procedures in order to avoid inordinate delays encountered in resolving matters brought to its attention for action. In this regard, I should like to express my regret that a number of suggestions and proposals made by the Secretariat to expedite processing and approval of applications, as well on such matters as the need for inclusion of well established commercial protection clauses, have remained on the agenda of the Committee without any action being taken.

135. Finally, I wish to reiterate what I stated recently, that "in the case of Iraq, a sanctions regime that enjoyed considerable success in its disarmament mission has also been deemed responsible for the worsening of a humanitarian crisis — as an unintended consequence. I deeply regret the continuing suffering of the Iraqi people and hope that the sanctions imposed on Iraq can be lifted sooner rather than later. But this demands that we find a way, somehow, to move the Iraqi Government into compliance with the Security Council resolutions". It is in this spirit that I appeal for a renewed and concerted effort by all to reach a solution that would lead to the alleviation of the plight of the Iraqi people.

Annex I

1. As at 31 October 2000, $6,119.4 million had been deposited into the account for phase VIII, as authorized under Security Council resolution 1302 (2000), bringing the total value of oil sales since the beginning of the programme to $35,157.0 million.

2. The allocation of total oil proceeds received from inception to date and the corresponding expenditures as at 31 October 2000 are as follows:

(a) The sum of $18,193.9 million has been allocated for the purchase of humanitarian supplies by the Government of Iraq, as specified in paragraph 8 (a) of Security Council resolution 986 (1995). In addition, $560.8 million of interest earned in this account was available for the purchase of humanitarian supplies in the central and southern governorates of Iraq. Letters of credit issued by BNP-Paribas on behalf of the United Nations for the payment of humanitarian supplies and oil spare parts and equipment for Iraq amounted to $8,666.5 million under phases I to VIII;

(b) The sum of $4,401.2 million has been allocated for the purchase of humanitarian goods to be distributed in the three northern governorates by the United Nations agencies and programmes, as specified in paragraph 8 (b) of Security Council resolution 986 (1995) and paragraph 2 of Council resolution 1153 (1998). Expenditures recorded for humanitarian supplies approved by the Security Council Committee established by resolution 661 (1990) amounted to $2,097.6 million;

(c) The sum of $10,472.9 million has been transferred directly into the United Nations Compensation Fund, as specified in paragraph 8 (c) of Security Council resolution 986 (1995). As of 31 October 2000, a total of $175.2 million had been allotted to cover the operating expenditures of the Compensation Commission up to 31 December 2000, and an amount of $9,092.9 million for the payment of various instalments of "A", "C", "D", "E" and "F" claims;

(d) The sum of $749.9 million has been allocated for the operational and administrative expenses of the United Nations associated with the implementation of resolution 986 (1995), as specified in paragraph 8 (d) of the resolution. Expenditures for administrative costs for all United Nations entities involved in implementing the resolution amounted to $372.0 million;

(e) The sum of $254.3 million has been allocated for the operating expenses of the United Nations Special Commission (UNSCOM) and its successor the United Nations Monitoring, Verification and Inspection Commission (UNMOVIC) established by Security Council resolution 1284 (1999), as specified in paragraph 8 (e) of Security Council resolution 986 (1995). Expenditures for the Commission amounted to $80.3 million;

(f) The sum of $965.4 million has been set aside for the transportation costs of petroleum and petroleum products originating in Iraq exported via the Kirkuk-Yumurtalik pipeline through Turkey, in accordance with paragraph 8 (f) of Council resolution 986 (1995) and in line with procedures adopted by the Security Council Committee. Of that amount, $682.8 million has been paid to the Government of Turkey;

(g) The sum of $119.5 million has been transferred directly to the escrow account established pursuant to resolution 706 (1991) of 15 August 1991 and 712 (1991) of 19 September 1991 for the repayments envisaged under paragraph 6 of Security Council resolution 778 (1992) of 2 October 1992, as specified in paragraph 8 (g) of resolution 986 (1995) and subsequently in paragraph 34 of my report of 1 February 1996 (S/1996/978). The total repayments made amounted to $119.5 million. Transfers to this account have been suspended in accordance with paragraph 20 of Security Council resolutions 1284 (1999) and 1302 (2000).

Annex II

Oil proceeds and humanitarian supply letters of credit as at 31 October 2000

A. Oil proceeds

Phase	*Last deposit*	*No. of letters of credit*	*Value of letters of credit from oil sales (United States dollars)*
I	27 June 1997	123	2 149 806 395.99
II	2 January 1998	130	2 124 569 788.26
III	30 June 1998	186	2 085 326 345.25
IV	28 December 1998	280	3 027 147 422.35
V	25 June 1999	333	3 947 022 565.12
VI	23 December 1999	352	7 401 894 881.57
VII	10 July 2000	351	8 301 861 931.46
VIII (current)	as at 31 October 2000	314	6 119 419 866.00
Totals		**2 069**	**35 157 049 196.00**

B. Humanitarian supply letters of credit for ESB (53%) account and bulk procurement

Phase		*No. of letters of credit opened*	*Value of letters of credit opened (United States dollars)*	*Bank payments made on delivery (United States dollars)*
I.		870	1 229 078 786.69	1 208 544 613.58
II.		538	1 193 975 676.69	1 179 368 956.19
III.		670	1 209 746 186.07	1 179 182 143.46
IV.	Humanitarian supplies	694	1 571 135 107.08	1 457 664 102.11
IV.	Oil spare parts	472	263 526 969.68	223 418 315.54
V.	Humanitarian supplies	1 021	1 792 944 048.68	1 376 712 140.50
V.	Oil spare parts	485	259 940 117.65	129 653 776.65
VI.	Humanitarian supplies	1 409	2 768 975 093.52	1 196 948 142.66
VI.	Oil spare parts	760	400 283 783.98	57 761 477.53
VII.	Humanitarian supplies	1 383	2 608 566 493.27	650 929 607.07
VII.	Oil spare parts	468	231 049 670.62	288 595.00
VIII.	Humanitarian supplies	72	693 425 267.00	6 016 258.37
VIII.	Oil spare parts	0	-	-
Totals		**8 842**	**14 222 647 200.93**	**8 666 488 128.66**